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Our United States

Three Great Mottoes

Know Thyself
Control Thyself
Deny Thyself

For Your Country

Know Your Resources
Control Your Resources
Use Your Resources

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Foreword

THIS PAMPHLET has been prepared with a view to giving busy men and women a quick survey of the wonderful resources of our country, and to answer many questions which we have received in regard to the topics which the pamphlet covers.

Our experience in the first Liberty Loan campaign developed the fact that our country has become so great, and the interests of its citizens so diversified, that, in a way, we have all of us become specialists, and have not had the time to take a broad survey of the country's resources and activities as a whole.

This campaign also developed the fact that many people do not understand exactly what a government bond is, so we have thought it would be helpful not only to present interesting data in regard to the country itself, but also to give a comprehensive statement in regard to the indebtedness of the government, and in regard to the nature of government obligations.

We hope that the pamphlet will be found helpful to those who may receive it. If there are questions in regard to the topics covered which any of our readers would care to have elaborated, we will esteem it a favor to be asked to present additional data.

Introduction

WE in the United States have become accustomed, perhaps with pardonable pride, to the use of superlatives in connection with reviews of the wealth and industry of the country as a whole, but recent statistics give added emphasis that the facts cannot be otherwise presented. In every field of endeavor production has reached heights hitherto undreamed, and our prosperity is increasing beyond all precedent. Our national income has increased more than 50% in the last ten years. A careful analysis of business conditions gives assurance that there is to be no diminution in the volume of our foreign or domestic commerce in the future; on the contrary, it is bound to be increased, to meet the greater demands that will be made upon us.

The astounding growth of the United States as a world power brings in its train many changes in our economic policy, but revolutionary though they may be in many lines of industry, none will be more drastic than those which are now matters of history in other periods of economic renaissance through which the country has passed. If the most is to be made of the opportunity thrust upon us to become the creditor nation of the world, it means a re-alignment of thought and re-adjustment of energy on the part of our bankers and business men to meet the new and expanding conditions in a vastly broader horizon. "The old order changeth" in industry as well as in science and art, and the new fields will amply repay the expenditure in time and effort necessary really to know the requirements we shall be called upon to meet, not the least of which will be in gaining the good will of our southern neighbors. The active competition that will follow the present conflict will be a test that will require our best thought and most persistent endeavor to meet successfully, but our equipment is superb; our captains of industry are trained in organization efficiency as never before; our resources are as yet untold. Of our real wealth the surface has merely been scratched, and intensive methods of production, plus a basis of distribution that not only eliminates the gigantic waste of the present but more equitably meets

the requirements of our neighbors, will be the order of the future. Even if peace should occur at an early date as is fervently to be hoped, the nation is going forward with an even broader diversity and promise of permanent prosperity. Europe will continue to call for vast sums of money from this country and for the materials required for reconstruction, and developments in railroad building, manufacturing and commercial activities in South America and Asia will cause an unequalled demand for our commodities of every sort.

If no other country ever had such an opportunity for business expansion, surely none ever had the preparation we now enjoy. Our gold supply of over \$3,000,000,000 is greater than that of all Europe and more than one-third of the total supply of the world. The effective machinery of the Federal Reserve system will enable us to finance with ease the requirements of our growing commerce.

The credit of the United States is incomparably the highest in the world. Not only is our wealth, which now exceeds \$225,000,000,000, constantly growing, but more and more of our national income, which now approaches \$45,000,000,000 per annum, is being retained in this country and saved as increment for added wealth in future years. According to the Loree estimate, American investors have repurchased more than three-fourths of the \$4,000,000,000 in American securities formerly held in Europe, thereby retaining in this country many millions of dollars formerly sent abroad in dividends and interest. Furthermore, since the beginning of the war we have loaned to foreign countries more than \$4,000,000,000, which will result in added millions in interest being paid to us each year by outsiders. When these obligations mature we shall have created a huge credit balance in foreign markets that will still further enable us to dominate the world's finances. It may be mentioned as an index of our "liquid" wealth that our banking resources at the present time exceed \$35,000,000,000, and that the savings of the nation last year are estimated to have been not less than \$5,000,000,000.

Who We Are and Where We Came From

A PERFECT inventory of the inhabitants of any territory, a population stock-taking which shall reveal how many and who they are, where they hail from, how they fare, and whither they are headed, is a resultant of two factors—science and conscience.

Whenever the political theory of a state is autocratic or oligarchic, its censuses will be taken to subject, not to protect, the non-conformist.

Conscience in census-taking first appeared in the world's then newest and thinnest populated country—The United States of 1790: Science in census-tabulating was first applied, in 1846, to the planet's most densely populated national area—unhappy Belgium.

The people of the United States, in the words of the French economist, Moreau de Jonnés, “instituted the statistics of their country on the very day when they founded their government, and regulated by the same instrument, the census of inhabitants, their civil and political rights, and the destinies of their nation.”

The United States, the first constitutional census-taking country in the world, is now assembling, by selective census process, an army to be dispatched to free the very country which taught us how to measure “who we are and where we came from.”

It was in 1850, four years after Belgium's first scientific census had revealed the influence of Quetelet's economic studies, that the United States first instructed federal census enumerators to ascertain the country of birth of our foreign-born.

The Liberty War of 1917 has shelved all existing statistical treatments of our country's population. We have been wont

This chapter especially prepared for Bankers Trust Company by the eminent student of population statistics, Rev. Walter Laidlaw, Ph. D., Executive Secretary New York Federation of Churches.

to classify European immigration, for instance, in terms of north-western Europe and south-eastern Europe. The thirteenth census, and the forty-two volumes of the Immigration Commission of 1907, follow this division. But "north-western Europe" includes Germany, with which we are at war; the United Kingdom of Great Britain and Ireland; France, our gallant ally; Belgium, whose soil we have set ourselves to restore, and five of the neutrals, while "south-eastern Europe," as a classification, mixes Turks and Greeks, Italians and Austrians, Serbians and Bulgarians.

All hitherto classifications must, therefore, unless our study of who we are and where we came from is to be purely academic, be thrown into the discard, and this study groups the nation into Allied, Central Powers and Neutrals groups.

I

We are, first of all, a nation derived from the 3,172,444 whites and 757,181 negroes enumerated in the census of 1790. The whites of that census, in 1908, were tabulated on the family names of the enumerators' sheets of 1790, most of which are on file in Washington.

The white population of the nation in 1790 was made up of 2,906,414, or 91.6%, from the nations comprising the Entente Allies of to-day. Of this percentage, .6% was French and the remaining 91% English, Scotch and Irish. The present Germany contributed only 176,407, or 5.6%, and of the present neutrals the Dutch contributed 78,959, or 2.5%, and all other whites .3%.

When the United States of 1790 took this census, Sweden, a perplexed neutral of to-day, was the only country in the world which had taken a census of its people. Sweden had been making enumerations since 1749; Spain made one in 1798; Napoleon forced France to count her man-power in 1801, and England, to defeat him, followed suit in the same year.

On the first of July, 1917, the continental United States had an estimated population of 103,635,300, and these figures were the numerical basis of quotas for the selective army. This total includes descendants of the whites enumerated in 1790 to an estimated number of 38,828,000—classified, 35,566,448 as descended from the nations comprising the allies of to-day, 2,174,368 descended from the Germans of Revolutionary times, and 1,087,184 Dutch and other whites, comprising the neutral nations of to-day.

The selective draft, designed to give the nation a force to fight against Pan-Germanism, was therefore applied to a people 37.5 % of whom were descended from whites who fought against Pan-Britishism.

II

We are a nation, secondly, whose phenomenal population growth has been immensely increased by immigration—our great growth is largely a product of immigrants seeking food and futures and of the fecundity which always characterizes the early family history of successful immigrant food-hunting.

The second element in our population is whites of Post-Revolutionary grand-parentage.

In the year when Mr. Monroe became President (1817), 20,000 immigrants arrived in the United States, and, following this, and coincident with humanitarian movements designed to reduce the mortality of immigrants in transit at sea, a law went into operation, July 1, 1819, compelling the registration of all immigrants at ports of entry.

This was the second stage of the nation's population stock-taking. A third was the first census of the foreign-born, in 1850, following the immense immigration of the forties, and coincident with the "Know Nothing" movement.

Thirty years later, in 1880, the first count of the native-born of foreign parentage was made. In 1910, after the lapse of

another thirty years, the first mother-tongue count of the native whites of foreign parentage was undertaken.

Using material from these sources for the computation, the United States had, in 1880, from the 10,189,429 immigrants of the years 1820-1850—7,794,000 native whites of native parentage, who included at least 2,927,000 of foreign grand-parentage. Our United States, July 1, 1917, were therefore 17.7 % made up of whites of Post-Revolutionary grand-parentage.

The allies lead, nine to seven.

III

The third element in our nation is composed of the native whites of foreign parentage. These, July 1, 1917, are estimated to have been as follows: From allied countries 10,856,439; from Germany and other Central Powers 8,125,378; from neutral countries 2,599,512—or a total of 21,581,329.

We are a people, therefore, who, July 1, 1917, were 20.8 % native whites of foreign parentage.

The allies lead eleven to eight.

IV

We are a people still 14.3 % foreign-born. The white foreign-born July 1, 1917 are estimated as follows:

Allies	8,272,027
Central Powers	4,437,028
Neutrals	1,953,206
or a total of	14,662,261

We were therefore, a people, on the date of the selective draft census computation, 14.1 % foreign-born white, with .2 % additional foreign-born colored.

The allies lead two to one.

V

The nation of July 1, 1917 has so far been distributed as follows:

1. Descendants of whites enumerated in 1790	38,828,000
2. " " immigrants, 1820-1880	17,687,952
3. Native whites of foreign parentage	21,581,329
4. White foreign-born	<u>14,662,261</u>
Total whites	92,759,542

This makes the whites of the nation, July 1, 1917—787,276 more than the whole nation of April 15, 1910.

There remain to be accounted for of the census estimate of July 1, 1917—10,875,758 Negroes, Indians and Asiatics. These are distributed as follows:

	Native	Foreign Born	Total
Negroes	10,343,310	68,948	10,412,258
Indians	286,984	3,016	290,000
Chinese	18,391	46,609	65,000
Japanese	6,148	98,852	105,000
All others	<u>390</u>	<u>3,110</u>	<u>3,500</u>
	10,655,223	220,535	10,875,758

This table is drawn, as a source from "Immigration by Races," but its detailed accuracy is by no means guaranteed, owing to the difficulty of classification.

VI

Summarizing and concluding the enquiry into who we are and where we came from, it should be borne in mind that the mother-tongue classification of the census of 1910, discloses that "Country of Origin" is not always the country of sympathy of the foreign-born.

It is altogether likely that the maximum of Central Powers sympathizers, July 1, 1917, was much less than the number of people of German, Bulgarian, Turkish and Magyar mother-tongue or a total of 8,572,434 persons—less than 9% of the nation of now.

The Germans descended from the Germans of Revolutionary stock are as American as George Washington, and the German immigration preceding 1880 was not tainted by Treitschke. The Kaiser came to the throne in 1888, and Pan-Germanism as a movement did not take definite form until 1895.

The Allies lead in this summary in every section, and while the German figures are totaled, the undoubted loyalty of the mass of Germans entitles them to discount the total at least 80%.

A people not one-tenth of German mother-tongue is arrayed against Pan-Germanism, and its citizens of British parentage and birth, alone, outnumber citizens of German parentage and birth, at least three to one.

Location and Progress

BEFORE a study of natural resources or commercial activity can be made, it must be borne clearly in mind not only "who we are" but also "what we are" and "where we are." The foundation laid by our forefathers would have been of very little good without a structure, and this our entrepreneurs have been providing for over a century, but with so little regard for the future that the time is now come when conservation is the watchword and efficiency must be coupled with industry as never before.

Favored by a location entirely within the temperate zone, extending from within one degree of the tropics seventeen hundred miles north to the Canadian boundary, climatic conditions are ideal for the widely diversified crops which constitute the primary wealth of a nation, and were intensive cultivation practiced here as abroad the entire world could be fed and clothed from our surplus. The abundance of raw materials required by the manufacturing industries and the degree of availability, including transportation facilities, are unequalled. Food supplies and materials for manufacture are more varied in the United States than in any other country and the well distributed forests contain great varieties of the timber most needed in large quantities.

We embrace an area exceeding three million square miles, excluding Alaska, Hawaii and the insular possessions—which are empires in themselves, having tremendous potential resources. While our population in the last fifty years has increased from thirty-five million to more than one hundred million, our wealth has increased from twenty-five billions to two hundred and twenty-five billions of dollars, or more than three times the rate of the increase in population.

During the colonial period the population of the United States was confined to a narrow strip of territory along the Atlantic coast. By the middle of the eighteenth century the river valleys had been settled, and the pioneers had reached the barrier of the Appalachian mountains, but the region beyond

this barrier had been penetrated by only a few explorers. By 1770 the population had increased to 2,500,000, of whom the vast majority were engaged in agricultural pursuits. The division of labor between different sections of the country was but slightly developed, and in a large measure each family produced on its own land the chief articles needed for its own consumption. Indian corn had proved itself the most valuable crop because of the quick return from newly cleared land and its utility as food for man and feed for cattle. Another indigenous product, tobacco, formed the basis of our earliest export trade, and with rice and indigo laid the foundation of the economic growth of the southern seaboard. Certain manufactures were carried on at home, but these were almost without exception of the cruder forms of goods not otherwise obtainable, and most of the more important manufactured goods were brought from England.

The population grew very rapidly, and reached 5,000,000 by 1800; production increased correspondingly, but it was production along the old lines with little advance in the direction of the new industrial development which was already of importance in England. In the south large estates given over to the production of cotton were numerous, while in the north small holdings with diversity of agriculture prevailed. The greatest commercial activity was found in New England. Domestic manufactures were in a flourishing condition, but little advance had been made in the introduction of mechanical processes and the factory system was unknown.

At this time the total area of the country was but 828,000 square miles, limited on the north by the boundary that now exists, on the south by what is now the northern boundary of Florida, and on the west by the Mississippi River, which was the territory the treaty of peace with Great Britain gave to the United States at the close of the revolutionary war.

In 1803 the United States purchased from France the territory then known as the Province of Louisiana, a territory over 1,000,000 square miles in extent and extending from the Gulf

of Mexico to the British Possessions, and from the Mississippi to the Rocky Mountains, and in 1819 we purchased from Spain a territory of some 59,000 square miles then known as the Floridas. Later, Texas was admitted as a state, and at the close of the war with Mexico that country ceded to us an area of over a half-million square miles. The Gadsden Purchase of about 45,000 square miles completed the main territory of the United States as it is to-day.

Nearly all the land between the crest of the Alleghanies and the Pacific once belonged to the Federal government, and its transfer to the private ownership of settlers, miners, lumbermen and others has been a dominant factor in the economic, social and political life of the nation. On July 1, 1917, the United States still held 255,000,000 million acres of land which was not reserved. More than one-half of this area has been surveyed and is available for settlement.

The great prosperity which followed the depression and panic of 1893 was sufficient to establish both the agricultural and industrial supremacy of this country among all nations, and at the same time raised it to be a leading factor in the export market of manufacturers. Before the Civil war it was the general opinion that this country must of necessity be primarily an agricultural country and that our foreign trade would consist of an exchange of our food and raw materials for foreign manufactured products. The new era promises to be just the reverse; the United States will certainly become more and more an importer of raw materials and an exporter of finished products.

The country now has ample supplies of food products for its own consumption and a great surplus for export; it has a great supply of cotton, and in a less measure, of wool, for its clothing, and of coal, iron, copper and lumber for building and manufactures. Its chief dependence for outside supplies of important commodities is on the non-European countries for its coffee, tea, sugar, hides and fur, silk and rubber. No other nation is able to produce so completely within its own borders the products which its people need.

Agriculture

THE agricultural products of the United States are greater than those of any other country in the world. The total value of all crops and animal products for 1916, was \$13,449,000,000, although throughout the country it was an off year in the yield of many crops. Unfortunately, the crops of Argentina, Australia and Canada were also below normal, and if it had not been for the reserve stock of 1915 the world situation in food supplies would have been desperate in the extreme.

Wheat is our principal export crop among the cereals. The crop varies in amount from one-third to one-half that of Europe in normal times. The year 1915 witnessed the greatest crop in the history of the country—more than 1,025,000,000 bushels. In 1916 the production fell to about 640,000,000 bushels, but it is estimated that the crop for 1917 will exceed that amount by about 28,000,000 bushels.

Our largest and most valuable crops, however, are corn and hay. They are the basis of the great stock-raising industry of the west. Corn stands without a rival in respect to area planted and to the value of the product. The United States produces about four-fifths of the world's supply of corn, and its acreage is about as large as that of all other crops, combined. The production of corn in 1916, which totalled 2,600,000,000 bushels, exceeded the crop of 1880 by almost exactly 1,000,000,000—and it is estimated that the 1917 production will reach the huge total of 3,250,000,000 bushels with the stupendous market value of around \$6,000,000,000 as against a value last year of \$2,295,783,000.

Hay is of greater relative importance in regions not well adapted to the growing of corn, but where the demand for stock-food is, nevertheless, great. It was grown last year on 55,000,000 acres, and the yield of 90,000,000 tons was valued at over \$1,000,000,000. Unfavorable conditions have limited the yield this year, however, and the production is not expected to greatly exceed 75,000,000 tons, although the increased prices

will probably give about the same money value to the product as that of 1916.

The cotton crop is one of the most important, and as an export crop the most important, of all the products of agriculture, about 65% of the world's supply being grown in this country. Its growth has been an important factor in the development of the south since the beginning of the nineteenth century, when the annual production was less than 10,000,000 pounds. By 1815 there had been a phenomenal growth to 85,000,000 pounds, due to an extraordinary foreign demand. The production steadily increased each year, with but few exceptions, until 1914, when 16,000,000 bales, each weighing 500 pounds (8,000,000,000 pounds) were produced. The production in 1916 fell to 11,450,000 bales, but it is expected, according to the September report of the Secretary of Agriculture, that the 1917 crop will total more than 12,500,000 bales.

Notwithstanding the fact that we have been blessed this year with an abundant harvest, it will be necessary, we are told, greatly to conserve our use of wheat in order that there may be an adequate quantity for the maintenance of our allies. It is estimated that under normal conditions 620,000,000 bushels of wheat are required for home consumption and seed. This would leave a surplus of 48,000,000 bushels—but we shall send much more across the sea—probably at least 150,000,000. The home consumption of wheat, therefore, must be greatly reduced. It is fortunate that the large crops of corn, potatoes and other food products will enable us to make this contribution to the success of the war without suffering any real hardship.

The market value of this year's crops, it is officially estimated, will be 70% in excess of the value of last year's crops, and the market value of live-stock products nearly 50% greater than the value of similar products last year.

It is interesting to note the development and extension of agriculture as an industry in the last half-century. Prior to the Civil war, agricultural methods were comparatively primi-

tive, but the scarcity of labor due to that war resulted in the invention and use of labor-saving machinery on an unprecedented scale. It has even been asserted that the issue of the Civil war was decided by the invention of the reaper, and there is no doubt that the ultimate victory of the north was largely due to the fact that the gathering of the crops of the west with the aid of machinery proceeded without interruption, although a large proportion of the male population was in the army. After the war, production kept pace with the increase in population, and with the betterments in transportation facilities the produce not only found markets in all parts of this country, but extended to every corner of the world.

The 300,000,000 acres devoted to farming in 1850 had increased by more than 200,000,000 acres in 1875, and in 1900 the area so used was 838,000,000 acres. It is now estimated to be more than 900,000,000 acres, valued in excess of \$50,000,000,000, but it is estimated by the Department of Agriculture that less than one-half of this area is economically utilized, and this accounts for the fact that up to 1914 the imports of agricultural products into the United States increased more rapidly than the exports. Intensive farming, raising the largest possible amount from a given area, is practiced but little in this country. Everywhere land is abundant and comparatively cheap, while labor is scarce and commands high wages, and it has accordingly been the custom to harvest the crops from a large area by the least work rather than from a smaller area at a higher labor cost. As lands become higher in price, farming is bound to become more intensive, the yield per acre will become greater and the crops will correspondingly increase. There are some 800,000,000 acres of land in the arid zone of the west and southwest that can be reclaimed and made exceedingly fertile by irrigation, and 100,000,000 more on the Atlantic coast can be reclaimed and made available for agriculture by proper drainage. It is a sad commentary on our national foresight that until recent years this reclamation had been left almost entirely to individual enterprise, but it is reassuring to note that governmental atten-

tion is more and more being directed along these lines. The Agricultural Act approved August 11, 1916, by which \$25,000,000 was appropriated for the Department of Agriculture, will considerably enlarge the functions of this department, and the Federal Farm Loan Act, designed to enable farmers to borrow money on farm mortgage security at reasonable rates for relatively long periods of time, should lead to a largely increased production. Accordingly, we may yet be able, when the nation is fully awake to its opportunity, "to feed the world with our surplus."

Mineral and Forest Resources

THE United States produces in commercial quantity practically every mineral known in art and industry, and most of them in an amount not only sufficient for its own use but also for export. Since 1880 the total mineral production has grown in value from \$365,000,000 to more than \$2,500,000,000; the production of iron, copper and gold among the metals and coal and petroleum among the non-metallic minerals forming the most striking increases.

Coal is one of the most important items of our natural wealth, and is foremost in both value and quantity among our mineral resources. It is one of the most widely distributed of all the minerals, but only a comparatively small area is available for production in commercial quantities. It has been mined in the United States since the Colonial times and the production has increased with amazing rapidity. In 1880 about 65,000,000 tons were mined, in 1900 about 240,000,000 tons, and in the year ending September 1, 1917, about 550,000,000 tons were produced for our own use and for export.

Iron ore ranks next in importance to coal, and is found in practically every state in the Union. The three principal ranges, however, where iron is produced in large quantities, are the Appalachian, the Cordilleran and the Lake Superior region. In this item, too, the increase in production has been tremendous. In 1880 but 7,000,000 tons were mined. By 1900 this had been increased by more than 20,000,000 tons and it is estimated that in the year ending September 1, 1917, the production totalled more than 75,000,000 tons.

The United States is the greatest copper-producing country in the world, more than 62% of the world's output being mined in this country. The existence of copper on the south shore of Lake Superior was known as early as the 18th Century, but the development of the mines which constitute the present extensive copper works of northern Michigan did not begin

until 1845. It is only since 1880 that copper mines have been operated with great success in Arizona, Montana, Utah and California. The production, which in 1880 totalled only 27,000 tons, grew to 270,000 tons in 1900, 513,000 tons in 1914, and it is estimated that the production for the twelve months ending September 1, 1917, was approximately 900,000 tons.

The production of gold in the United States is greater than that of any other country in the world except the Transvaal, being nearly one-fourth of the world's output. Practically all of it is mined in the Cordillera region, and in Alaska. The annual production, which in 1880 was but \$36,000,000 in value, amounts to but slightly less than \$100,000,000 in value per annum at the present time.

Following the discovery of the Comstock Lode in Nevada in 1859, the United States was for a time the greatest silver-producing country in the world. It is now second only to Mexico, which has vast silver deposits, many of which are still awaiting development. The annual production of silver in the United States amounted to about \$50,000,000 in value in 1916, which is greater by far than the combined output of all Europe.

The mining industry as a whole is now enjoying the greatest prosperity in its history, the enormous demand for war purposes calling for unprecedented effort to stimulate production to the highest point. Prices have made new high records and mines have not only been worked to full capacity but old ones have been re-opened and the search for new ones has been unceasing if not notably successful. The whole country has benefited by the resultant activity. Largely increased dividends have been the rule and profits have been almost universally shared with the workmen, either in the form of increased wages or bonuses.

The business of the Steel Corporation, usually considered an excellent index of trade, averaged over 11,000,000 tons a

month in the first eight months of this year, against an average of 9,300,000 tons a month in 1916 and 4,300,000 tons a month in 1914.

It is considered certain that the demand for all metals will continue to be far above former normal requirements for a long period, for the basic materials now required for warfare are the same as those required for reconstruction—therefore the United States should maintain its leadership in these industries long after the war shall cease.

Forests

The United States forests cover 550,000,000 acres, or about one-fourth the area of the whole country. Of these only a small part are publicly owned, the privately owned forests containing more than four-fifths of the standing timber in the country. As the present rate of cutting is three times the annual growth, the need for conservation is apparent. More than 22,000,000,000 cubic feet of all kinds of wood, with a total value exceeding \$1,250,000,000, are annually taken from the forests of the United States, and unless renewed vigor is directed to the elimination of waste and the restriction of wide areas the next decade will witness a great scarcity of native timber.

At the present time the National forests comprise about 150,000,000 acres and the government annually sets out about 10,000,000 small trees which will, of course, require years of growth before they become of commercial value. As an indication of how this development in our natural resources has been neglected, it may be mentioned that while our Forestry Department has but one man to every 75,000 acres, Germany before the war had one man to every 1700 acres. Increased attention is every year being directed to this field, however, and it is hoped that within a few years our denuded acres will be entirely restocked.

Manufacturing

THE United States ranks first among the nations of the world in manufacturing; its abundance of raw materials, not only for widely varied forms of manufacturing, but also for fuel, food and clothing, the excellence and extent of its transportation facilities—both rail and water—and the freedom of interstate trade, contributing notably to its development in this respect. The invigorating climate and the natural ingenuity and resourcefulness of the people are advantages of prime importance in the industry of the nation. A great factor in our industrial supremacy is the contribution of various methods and much energy on the part of emigrants coming from all parts of the world to the development of the land chosen for their home. Finally, the influence of tariff legislation in fostering domestic industries by shutting out the products of cheaper foreign labor must be taken into account.

The growth of our manufacturing industry has been phenomenal. In 1810, the first year for which we have authentic figures, the Secretary of the Treasury estimated the total value of manufactures to be \$120,000,000 and by 1850 this figure had grown to over \$1,000,000,000. Between 1850 and 1900, while the population of the country increased little more than three-fold, from 24,000,000 to 76,000,000, manufactures increased almost nineteen-fold in amount of capital invested, from \$533,000,000 to \$9,800,000,000 and twelve-fold in the value of the products, from \$1,019,000,000 to \$13,014,000,000. Most of this expansion occurred in the period following 1880, when we first began to utilize our national resources on a broad scale and when through improvements in inland and over-sea transportation, our domestic and foreign markets extended to include the far western states and Europe.

The last seventeen years has seen a continuance of this industrial expansion. The capital invested in manufactures has more than doubled, while the products have increased in value over 100 per cent, not including, for the purpose of

comparison, what are primarily "war orders." There are to-day more than 300,000 manufacturing establishments in the country, with a total capitalization exceeding \$25,000,000,000 and producing goods valued in excess of \$30,000,000,000 per annum. The steel industry is the greatest of all present enterprises, measured by the money value of the product. This is followed by slaughtering and meat-packing, lumbering, grain products, cotton goods products, and automobiles, in the order mentioned.

As manufactures are an important item in our international trade, brief statistics of production will be found in the chapter on Foreign Commerce.

Whether or not we shall always maintain our industrial supremacy again brings up the subject of conservation and the plea for a more scientific utilization and distribution of our resources and products. If our opportunity for world-wide expansion in foreign trade is to be met, the demand for our commodities will be tremendous and the drain on what, in the last analysis, is the basis of our wealth—our natural resources—will be unprecedented. And yet, it is authoritatively estimated by our government bureaus that our present known stores of coal, which is the basis of practically all our industries, and iron ore and copper, will all have been exhausted by the end of the century. When it is known that the waste in coal mining exceeds 50%, with corresponding waste in the production of other basic commodities, it is not surprising that the National Conservation Committee estimates that the actual monetary loss in these industries alone exceeds \$1,400,000 *per day*. Thus must the best minds of the country necessarily be directed with constantly greater attention to the economics of production as well as to the distribution on a larger scale of our products in the years to come.

Foreign Commerce

THE tremendous industrial development of the United States in recent years is well shown by a review of the records of our foreign trade. While the war is, of course, responsible for the enormous expansion of the last three years, it is safe to say that even if the war had not occurred the figures would have continued to show the steady growth which has been maintained since 1880. Up to that time our imports exceeded our exports in practically every year by many millions of dollars, but since that year we have fallen behind only three times (in 1888, 1889 and 1893); and while we ranked fourth among exporting nations in 1880, we were third in 1890, second in 1910, and at the present time we not only occupy the first place, but we have paid off our earlier indebtedness to all of the foreign countries.

In 1880, when our total exports of merchandise amounted to \$836,000,000, our imports were \$668,000,000, leaving a balance of trade in our favor amounting to \$168,000,000. By 1900 this balance had grown to \$545,000,000, but in 1914, the year before the war, it had decreased to \$470,000,000, owing to a heavy increase in our imports, which exceeded \$1,890,000,000 in that year; and in the fiscal year ending June 30, 1917, we exported merchandise of a value exceeding the huge total of \$6,250,000,000, while our imports amounted to approximately \$2,600,000,000.

The resulting favorable trade balance of \$3,650,000,000 is enormously greater than any hitherto applicable to any country since the beginning of international commerce, and places the United States in the front rank among the exporting nations of the world.

During the first century of our national existence, our exports were chiefly agricultural products, to which mineral products were later added, and in the decade preceding the war our principal exports were raw cotton, iron and steel, and their manufactures, copper and its manufactures, meat and dairy

products and breadstuffs, in the order mentioned; and in normal times our imports are chiefly sugar, chemicals, rubber, coffee, tea and spices, raw silk, hides and skins, etc., things which we cannot produce at home. In the last three years, however, the bulk of our export has been comprised of food and war material, while our imports are chiefly raw materials for manufacturing purposes.

In the fiscal year ending June 30, 1917, our exports of wheat and wheat flour amounted to \$385,000,000 in value, against \$142,000,000 in 1914, \$141,000,000 in 1900 and \$226,000,000 in 1880, which year witnessed the highest figure up to 1915. Our exports of corn were worth \$75,000,000 in 1917 against an average of \$30,000,000 for the last decade, and our export of meat and dairy products in 1917 brought \$400,000,000 against \$146,000,000 in 1914. Our exports of iron and steel and their manufactures exceeded \$1,100,000,000 in 1917 against \$250,000,000 before the war, while our exports of copper, brass and zinc and their manufactures increased from \$153,000,000 to \$759,000,000 in the same period. Some of our exports of which Europe requires a large amount in normal times, notably lumber, agricultural implements and cotton, show a considerable decrease from the average figures.

Our imports have increased principally in raw materials for manufacturing purposes, which in 1917 were about \$500,000,000 more in value than the imports of 1914, which amounted to \$633,000,000.

The growth of the United States as an export nation, disregarding our war trade, is not merely the result of a normal increase in the foreign demand for our products. In the first century of our national existence, our producers were primarily concerned with meeting the local demand which steadily increased with our enormous growth in population, and were content to leave the foreign markets to the producers of the older countries excepting only those raw materials of which we have always had a surplus. The tremendous development of our manufactures in recent years, however, totally changes the

aspect of our trade. We can no longer maintain our conservative attitude of doing business in our own way and on our own terms. The exigencies of foreign trade force us not only to meet the requirements as we find them, but to seek the best methods of stimulating the demand for American products in the markets of South America, Russia and the Orient, if we would more successfully meet the competition of the European producers.

Our prosperity will be permanent only when a market can be found for all the goods we can produce. The opening up of the vast resources of raw materials in the central and western states, through the development of our transportation facilities, the exploitation of the world's greatest resources of power, and the application of power to labor-saving machinery on a huge scale, has tremendously stimulated the manufacturing industry in the United States, although since 1880 manufacturers have constituted the most significant advance in our foreign trade, the productive power of many of the manufacturing industries has reached or exceeded the limit of the demand in the home market. Therefore, in order to keep invested capital employed at the point of most economical production, by finding a market for all it can produce, our manufacturers are compelled to seek constantly greater outlets in foreign trade. Branch banks are being established in many of the principal foreign cities, which will facilitate the problems of exchange and through which important credit information and other valuable assistance will be gained, and men trained in the business of producing and marketing goods of every description are seeking the best methods of distributing our products. America is awake to her opportunity, and no time in history has been comparable to the present moment for intrenching our position as the leading nation in the commerce of the world.

United States Bonds

THE United States of America has always been a debt-paying nation—and not a debt-making nation. The first recommendation which Alexander Hamilton, our first Secretary of the Treasury, made to Congress at the close of the Revolutionary war, was that the debts of the different states which had composed the Confederation should be assumed and paid by the general government. In a way, this was a startling proposition, but it was appreciated by our forefathers that not only good morals, but good business demanded that the new country should have an unimpeachable credit.

The new government assumed debts amounting, all told, to \$72,775,895—of which \$12,556,874 was foreign, \$40,256,802 was domestic debt of the Confederation, and \$19,962,219 was debt of the states. Before the War of 1812 the public debt had been reduced to a little over \$45,000,000. That war raised the country's debt to \$127,334,933, which amount was reached in 1816.

The public debt was all paid in 1835. Chiefly on account of the Mexican war, the debt by July 1, 1850, had reached the sum of \$63,452,773. From this point on it greatly increased until at the beginning of the Civil war it amounted to \$90,580,873. This increase was chiefly due to the expenses of several Indian wars, and to some small loans made in anticipation of internal difficulties.

At the opening of the Civil war the Treasury was depleted, and the national credit reduced to a 12% basis. The Administration found itself face to face with great problems, of which the financial problem was not the least. The financial measures of the war were, to a great extent, expedients of the hour. No machinery existed for the collection of the newly created internal taxes. The country had no uniform currency. The banks displayed only a weak patriotism. Customs duties were the main reliance at first, but the returns in 1861 were nearly \$14,000,000 less than in the previous year, and in 1862, while nearly \$10,000,000 greater than in 1861, were only \$49,000,000

as compared with \$53,000,000 in 1860. Every form of credit was availed of, with which to secure the means for carrying on the war. Secretary Chase adapted his borrowing to the varying whims and needs of capital. Short term notes bearing interest, demand notes receivable for customs, interest-bearing bonds, legal tender notes, and even the receipt of temporary deposits were made use of; over twenty different forms of paper were issued, bearing rates of interest ranging from 7.3% down to nothing, and with maturities of from thirty days to forty years. At the same time, provision was made for funding these different forms of debt by reserving the option of redemption after the lapse of a comparatively short period.

Secretary Chase believed, and correctly so, that the debt should not be put in a form to be out of the reach of the government. He confidently expressed the opinion that the debt could readily be refunded at lower rates of interest the moment the war was over. The government loans were a great success. This success was due, not wholly to patriotism, but to a very great degree to the indefatigable efforts of the national loan agents. But underneath all was a solid basis of confidence, due to the judicious measures of taxation which were devised coincidentally with the appeals for loans.

August 31, 1865, the public debt of the United States reached its maximum, amounting to \$2,844,649,000.

The Civil war loans were placed at par in currency, but commissions ranging from $\frac{1}{8}\%$ to 1% were allowed to the bankers distributing the bonds. The nominal interest paid by the government on its bonds during the war period was almost exactly 6%, but because of the varying rates of discount on the legal tender notes, the actual cost of the money in gold ranged from $6\frac{3}{4}\%$ to about $15\frac{1}{2}\%$.

The redemption of the debt began the moment the war was over, and continued almost uninterruptedly down to the beginning of the present war. There has, of course, been some fluctuation, but the tendency has constantly been downward,

so that at the beginning of the present war the indebtedness of the United States was, in round figures, about \$1,000,000,000. Prior to the present war the government debt consisted almost entirely of bonds payable at the pleasure of the government at future dates, ranging from one year to forty-four years. The government, however, had retained the privilege of redemption on several of the issues outstanding. There were also outstanding a small amount of treasury notes having a maturity of one year.

The present war has been financed to date with two forms of indebtedness—namely, the Liberty Loan $3\frac{1}{2}\%$ Bonds, payable in thirty years and redeemable after fifteen years, of which \$2,000,000,000 have been issued—and Certificates of Indebtedness bearing rates of interest ranging from 3% to 4%, all of them payable within ninety days from date, of which certificates there have been issued \$2,350,000,000 and \$1,250,000,000 are now outstanding.

Bonds are issued for the purpose of investing the savings of those who have money which they want to place at interest on a more or less permanent basis. Certificates of Indebtedness are intended for convenience in borrowing money from the banks, and while to some extent they are taken by private investors and other corporations than banks, they are especially adapted to the necessities of banking institutions. They must be paid for within a year's time, and as a rule will probably be issued, as has been the practice during the past year, payable within ninety-day periods. They are a great convenience in financing temporary needs of the Treasury pending the realization from the sale of long period bonds or of the income from taxation. The total amount of these certificates which may be outstanding at any one time, under the terms of the Act of September 24, 1917, including those already issued under the terms of the Act of April 24, 1917—namely, the first Liberty Loan Act—is limited to \$4,000,000,000.

By the terms of the Act of September 24, 1917, a third form of indebtedness, namely, War Savings Certificates, has been

provided for. The idea of the War Savings Certificates is borrowed from England, where similar certificates have proved to be very popular. These certificates are primarily intended for the convenience of the small investor. They are to be issued as discount certificates—that is to say, they will be issued in amounts which, with the interest thereon, will accumulate to an even sum of, say, \$5.00 at the end of a five-year period. That is, anyone having about \$4.00 to invest will be able to step into a post office or other agency and purchase one of these certificates, which, at the end of five years, he can redeem for \$5.00, and thus will receive back his original investment with interest at the rate of 4 % per annum. No announcement has yet been made in regard to the details, but it readily can be seen that these certificates will be most popular with all of us having small sums to invest.

Now, as to the nature of a Government Bond: Corporations and private individuals borrowing money usually have to give some kind of security. If an individual desires to borrow money to help pay for his home, he gives the savings bank, or whoever may loan him the money, a mortgage on his house. If a corporation—say a railroad company—desires to borrow money it gives a trustee, such as Bankers Trust Company, a mortgage on its entire property to secure an issue of bonds for some round amount, which bonds can then be purchased in sums of \$1,000 or less, and perhaps will be held by five or ten thousand different investors, all of whom will have their money proportionately secured by the property pledged to the trustee who is looking after their interests.

The United States Government, however, does not need to give mortgage security, because every one of us is liable to be taxed in order to enable the government to raise the money necessary to pay the interest on the bonds while outstanding, and to pay the principal thereof at maturity. The owner of a government bond, therefore, has in effect a mortgage upon the earnings and income of every citizen of the country. Such

bonds are, perforce, the very highest form of investment securities.

For the convenience of investors, bonds are issued in denominations ranging all the way from \$50 up to \$100,000, so that the small investor and the large investor alike can share in this premier form of investment securities.

For the convenience of investors, the government issues two forms of bonds. One form is known as the coupon bond—this is payable to bearer, exactly the same as a banknote. To collect the interest, the holder simply has to cut off a coupon, which is an agreement to pay on a fixed date the amount of interest due upon that date. On some of the older forms of bonds the interest is payable every three months, and therefore each bond has four coupons for each year. In the case of the Liberty Loan Bonds, interest is payable twice a year, and therefore these bonds have two coupons for each year. These coupons are payable to bearer, exactly the same as a banknote, and can be cashed at the Sub-Treasuries or at the Federal Reserve Banks, or, as a rule, over the counter of any bank or banker.

The other form of bond, and one which is very popular with many investors, is what is known as a registered bond. A registered bond is payable like a cheque to the order of the owner. Such a bond cannot be negotiated until the owner has endorsed it, just as he would a cheque, and until that endorsement has been guaranteed by someone who is authorized by the government to witness signatures. The interest on registered bonds is payable by cheque, mailed from the Treasury Department in Washington to the post office address of the owner of the bond, and this cheque, of course, will only be paid to the owner of the bond, or to someone to whom he may make it payable, exactly like any other bank cheque. Those who do not have bank accounts, however, can readily have these cheques cashed by any bank or banker where they are known, without any charge for exchange.

It will thus be seen that the registered form of bond is much the better form for those who want to put bonds away for permanent investment, as the bonds themselves may be locked up in a safe-deposit box or some other safe place, and need never be taken out until they become due. The interest cheques will come along regularly every six months, without failure.

The question may be raised—suppose I need the money which I have invested in government bonds; how can I obtain it? The answer to this is very simple. The holder of a government bond, having the premier form of investment, can always sell that bond to some other investor. Of course, it must be sold in the market, at a price which is determined by the interest rate generally prevailing for prime securities at the time when it is desired to realize upon the investment. If the rate of interest rises, the price of bonds will go down somewhat in order to adjust the income to the prevailing rate. On the other hand, if the rate of interest decreases the price of bonds will tend to advance, so as to adjust the interest to be derived therefrom to the lower rate prevailing in the market.

During the progress of the war, if the government needs to raise additional money it may be that the interest rate will tend to increase, and that, therefore, the government may have to pay more for money later on than it is offering to pay now. In order to be perfectly fair with investors, the government, therefore, has provided, both in the original issue of 3½% Liberty Loan Bonds, and in the present issue of 4% Liberty Loan Bonds, that in case it becomes necessary, during the progress of the war, to sell bonds bearing a higher rate of interest, the holders of the present issues will have the right to convert their bonds into bonds bearing such higher rate of interest. It will thus be seen that the investor is perfectly protected, against any depreciation in market value due to an appreciation in the interest rate.

On the other hand, if the experience of the country following the close of the present war is similar to the experience of our forefathers at the close of the Civil war, the vast revenues of the



government will enable it rapidly to redeem indebtedness, either by calling in bonds, or by buying them in the market, which will tend to rapidly raise the market values. Therefore, it would appear that an investor in Liberty Loan Bonds at the present time is perfectly protected from any depreciation, and may look forward, if he finds it necessary to convert his bonds into cash at a later date, to being able to do so at a substantial profit.

The question may be raised as to taxation—are government bonds taxable? The answer to this is, that all the issues of government bonds which were outstanding before we entered into the war are absolutely exempt from taxation of every kind. The $3\frac{1}{2}\%$ Liberty Loan Bonds are free from all taxation except inheritance taxes. The new 4% Liberty Loan Bonds are exempt from all taxation except what is known as super-taxes, war-profits taxes and inheritance taxes. Up to a maximum of \$5,000 principal, however, this issue of bonds is also exempt from every form of taxation, except the inheritance taxes.

It may be interesting to note that, for anyone having an investment in government bonds of less than \$2,500,000, the 4% Liberty Loan Bonds, subject to the super-taxes, are more profitable to hold than the $3\frac{1}{2}\%$ Liberty Loan Bonds.

To sum up—it may be said that for absolute safety, ready convertibility, regularity and certainty of income—the bonds of the United States Government are unexcelled as an investment by any other security, of any kind or nature.

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